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SUBJECT: MFA ON USG-PROPOSED AGREEMENTS

¶1. (SBU) Summary. The MFA has told us that both the USG-proposed bilateral shipboarding and debt agreements remain under RGC consideration. The MFA has circulated among other concerned Ministries the shipboarding agreement and is awaiting comment. The bilateral debt agreement also remains under discussion, but the MFA told the Ambassador that the time "may not yet be right" to reach a settlement. Separately, the Japanese Ambassador conveyed to the Ambassador that the debt agreement was very difficult for the Cambodian government to accept. End Summary.

MFA on PSI Shipboarding Agreement, Debt

¶2. (SBU) On November 29, MFA Secretary of State Ouch Borith met with the Ambassador at the former's request to respond to the USG-proposed bilateral shipboarding agreement, which was provided to the MFA via diplomatic note earlier in November. Borith noted that his Ministry would need to consult with other RGC Ministries given the nature of the agreement, which cross-cuts a number of Cambodian authorities. He indicated that the MFA has sent the text to the Ministries of Defense and Transportation; others may also need to be consulted. He said the Cambodian government understands the proposed USG agreement is linked to the Proliferation Security Initiative, as well as UNSCR 1718, passed on October 14 five days after North Korea's nuclear test. Borith noted that the RGC condemned the test and would abide by its UN obligations under UNSCR 1718. He affirmed that nuclear proliferation was a cause for concern for all countries, and Cambodia -- with its limited resources -- would do what it could to assist the international community.

¶3. (SBU) Borith said the MFA had a number of questions regarding the text of the draft shipboarding agreement, but would await comments from other Ministries before providing a response. He asked about other East Asian countries (e.g., South Korea) and which ones were members of the PSI. Among those, Borith asked if any had already signed a similar shipboarding agreement. The MFA underscored RGC willingness to cooperate on illegal shipments related to WMD. The Ambassador noted that Cambodia's cooperation on counterterrorism issues has been laudable, as has RGC responsiveness to USG requests to board Cambodian-flagged vessels for counternarcotics purposes.

¶4. (SBU) Turning to the bilateral debt issue, the Ambassador asked Borith if the RGC were nearing a decision on the draft MOU submitted to the Cambodian government in late July for which the USG has yet to receive a response. Borith responded that he was not directly working on that issue, and had heard that the IMF had consulted with the RGC and urged the Cambodian government to resolve the outstanding debt to

the USG. However, Borith was also aware that some (NFI) within the government felt that Cambodia's financial situation was not yet strong enough to support debt repayment, and opined that the RGC might have to wait until after the oil and gas revenues are available. He urged the USG to be patient and underscored RGC willingness to solve the problem.

15. (SBU) In a separate conversation with the Ambassador the same day, the Japanese Ambassador raised the debt issue, and noted that the RGC found it politically difficult to accept responsibility for a debt incurred during the Lon Nol regime of the early 1970s. He inquired if there was not another way for the matter to be resolved, perhaps along the lines of the HIPC debt forgiveness initiative. The Ambassador responded that Cambodia, while poor, is not eligible for HIPC relief, and that the Cambodian government is legally responsible for the debts incurred by preceding governments. The USG has tried to work with the RGC on the most reasonable arrangement for resolving the debt, eliminating from consideration a proportion of the accrued debt based on poor documentation. The Japanese Ambassador observed that the Cambodians were trying to negotiate their outstanding debt to the Russian government, which was also proving challenging.

Comment

16. (SBU) We would appreciate any information Washington can provide regarding the number of Asian countries (particularly in East Asia) with whom the USG has signed similar shipboarding agreements to the one provided to the RGC for consideration. Concerning the bilateral debt, we had heard that the RGC might be dragging its feet due to ongoing negotiations with the Russians, but did not anticipate that

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the RGC might think to delay finalizing a debt agreement with the USG until 2009-10, when the country may begin to accrue oil/gas revenues. Post will confer with the desk on possible next steps regarding the debt issue. End Comment.
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